

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
AID-05 EB-07 CIEP-01 TRSE-00 STR-04 OMB-01 CEA-01
COME-00 FRB-03 /093 W
-----301948Z 034910 /41

R 301814Z DEC 76
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 9117
INFO AMEMBASSY MOSCOW
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
USMISSION EC BRUSSELS
USMISSION OECD PARIS
USDEL MTN GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 20868

E.O. 11652: GDS
TAGS: ETRD EEWT PFOR UK UR
SUBJECT: PRIME MINISTER COMPLAINS TO SOVIET AMBASSADOR
OVER LACK OF TRADE ORDERS FROM USSR

REF: (A) LONDON 20219; (B) LONDON 7812

1. PRIME MINISTER CALLAGHAN SUMMONED SOVIET AMBASSADOR
LUNKOV TO NUMBER 10 DOWNING STREET ON DECEMBER 22 TO
EXPRESS HIS "EXTREME DISAPPOINTMENT" AT THE CURRENT LOW
LEVEL OF SOVIET ORDERS FOR BRITISH GOODS AND HIS DESIRE
TO SEE A RAPID AND SIGNIFICANT IMPROVEMENT.
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2. THIS HIGHLY UNUSUAL STEP HAS COME AT THE END OF A
YEAR IN WHICH CONSIDERABLE FRUSTRATION HAS BUILT UP
WITHIN GOVERNMENT AND INDUSTRY OVER THE LACK OF SUBSTAN-
TIAL SOVIET ORDERS TO UTILIZE THE 950 MILLION POUND
CREDIT EXTENDED BY BRITAIN ALMOST TWO YEARS AGO. LESS

THAN 140 MILLION POUNDS OF THE CREDIT HAS NOW BEEN PICKED UP, INCLUDING THE RECENT 100 MILLION POUND DEAL FOR GAS PUMPING MODULES REPORTED REF A. WHAT BRITISH OFFICIALS FIND FRUSTRATING AND POLITICALLY EMBARRASSING IS THAT THE SLOWNESS OF SOVIET ORDERS HAS CONTINUED LONG AFTER HIGH-LEVEL ASSURANCES WERE GIVEN THAT MAJOR CONTRACTS WOULD COME QUICKLY. DEPARTMENT OF TRADE OFFICIALS HAVE CONFIRMED TO US WHAT HAS BEEN PUBLICLY HERALDED HERE FOR SOME TIME--THAT SOVIET FOREIGN MINISTER GROMYKO GAVE BOTH CALLAGHAN AND FORMER PRIME MINISTER WILSON PERSONAL ASSURANCES THAT SUBSTANTIAL ORDERS WOULD COME RAPIDLY.

3. ANOTHER IRRITANT TO BRITISH OFFICIALS HAS BEEN SOVIET STATEMENTS THAT THE SLOWNESS IN PLACING ORDERS IS DUE TO BRITISH INADEQUACIES, SUCH AS LONG DELIVERY TIMES AND LACK OF AGGRESSIVE SALESMANSHIP. DEPARTMENT OF TRADE OFFICIALS TOLD US THEY HAVE INVESTIGATED THE SPECIFIC SOVIET COMPLAINTS AND ARE SATISFIED THAT THE DELAYS ARE PREDOMINANTLY CAUSED BY THE SOVIET SIDE.

4. COMING ON TOP OF THIS DISAPPOINTING SITUATION HAS BEEN THE RECENT TRADE FIGURES WHICH CONTINUE TO SHOW A GROWING IMBALANCE IN THE USSR'S FAVOR. THE UK'S DEFICIT ON TRADE ACCOUNT WITH USSR IS 385 MILLION POUNDS (APPROX. 655 MILLION DOLLARS) FOR FIRST ELEVEN MONTHS OF 1976. UK IMPORTS FROM THE USSR FOR PERIOD JANUARY-NOVEMBER OF THIS YEAR HAVE RISEN TO 607 MILLION POUNDS, FROM 370 MILLION POUNDS FOR SAME PERIOD LAST YEAR. DURING SAME PERIOD UK EXPORTS TO USSR HAVE RISEN ONLY MODESTLY, TO 222 MILLION POUNDS FROM 186 MILLION POUNDS.
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5. FROM THE BRITISH PERSPECTIVE THERE ARE NO KNOWN POLITICAL OBSTACLES TO RECEIVING SUBSTANTIAL ORDERS, AND THUS REDRESSING THE TRADE IMBALANCE. THE BRITISH ASSESS-

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MENT APPEARS TO BE THAT THE SOVIET DELAYS ARE LARGELY CAUSED BY A BUREAUCRATIC LOG JAM THAT CAN BE BROKEN UP WITH A SMALL CHARGE OF POLITICAL DYNAMITE. THIS REASON. ING SEEMS TO HAVE LED TO THE DECISION TO GO ON RECORD AT THE HIGHEST LEVEL THAT THE UK IS NOT PLEASED WITH THE SITUATION. TO OUR KNOWLEDGE, THIS IS THE FIRST TIME A BRITISH PRIME MINISTER HAS TAKEN SUCH A STEP IN THE COMMERCIAL SECTOR AND IT CERTAINLY PROVIDES AN INDICATION OF THE INTENSITY OF FEELING HERE.

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6. PRESS COVERAGE WAS A SINGLE ARTICLE BY DAVID SPANIER ON THE FRONT PAGE OF THE TIMES--A PIECE THAT HAS ALL THE MARKS OF A CONTROLLED LEAK. WE HAVE NOT BEEN ABLE TO CONFIRM THAT IT WAS A DELIBERATE LEAK, BUT GOVERNMENT OFFICIALS HAVE TOLD US THAT THE INTENT OF ANY PUBLICITY WAS LUST TO GET THE MEETING ON THE PUBLIC RECORD FOR DOMESTIC CONSUMPTION WITHOUT MAKING TOO BIG A SPLASH THAT WOULD FORCE THE SOVIETS INTO OVERREACTING.

7. WHAT HAPPENS NOW IS NOT CLEAR. IF AMBASSADOR LUNKOV REPORTS THE FULL INTENSITY OF CALLAGHAN'S REMARKS,

THERE MIGHT WELL BE SOME CORRESPONDING IRRITATION
GENERATED ON THE SOVIET SIDE. OBVIOUSLY, SOVIET
REACTIONS COULD RANGE FROM A SPEEDING UP OF THE
BUREAUCRATIC MACHINERY THAT PLACES ORDERS TO A CRIMPING
OF THE EXISTING PIPELINE OF CONTRACTS. WE LEAVE THIS
ASSESSMENT TO EMBASSY MOSCOW. IN ANY EVENT IT SEEMS
LIKELY THAT BRITISH SENSITIVITIES WILL BE BROUGHT TO
THE ATTENTION OF SOVIET LEADERS.

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